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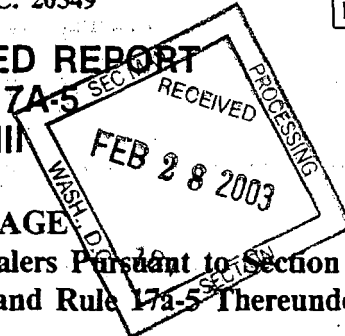
UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

OMB APPROVAL
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ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III



SEC. FILE NUMBER
8-44734

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING 01/01/02 AND ENDING 12/31/02  
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: IRM SECURITIES/PBA/

Applicant: John Richard Marsden, Jr.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

SUITE 813, G. DANIEL BALDWIN BUILDING, 1001 STATE STREET

(No. and Street)

ERIE

PA

16501

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

JOHN R. MARSDEN, JR.

(814) 459-3793

(Area Code — Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

CRAIG C. MOFFATT, PARTNER OF DIEFENBACH DELIO KEARNEY & DeDIONISIO

(Name — if individual, state last, first, middle name)

2253 WEST GRANDVIEW BOULEVARD

ERIE

PA

16506

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

- ☒ Certified Public Accountant  
☐ Public Accountant  
☐ Accountant not resident in United States or any of its possessions.

PROCESSED

MAR 21 2003

THOMAS  
FINANCIAL

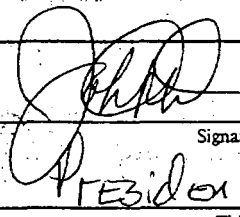
FOR OFFICIAL USE ONLY

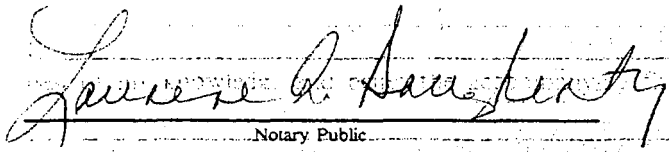
\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

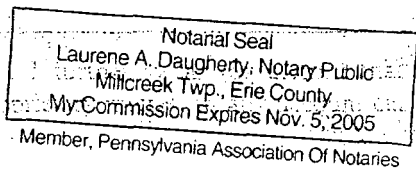
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## OATH OR AFFIRMATION

I, JOHN R. MARSDEN, JR., swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of JRM SECURITIES, as of DECEMBER 31, 2002, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

  
Signature  
President

  
Notary Public



This report\*\* contains (check all applicable boxes):

- ☒ (a) Facing page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation, of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☐ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☒ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.
- ☒ (o) Statement of Cash Flows

\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

**FINANCIAL STATEMENTS AND REPORT OF  
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

**JRM SECURITIES**

**DECEMBER 31, 2002**

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**Report of Independent Certified Public Accountants**

Board of Directors and Stockholders  
JRM Securities

We have audited the accompanying balance sheet of JRM Securities (a proprietorship) as of December 31, 2002, and the related statements of income, changes in proprietor's capital, and cash flows for the year then ended plus the other statements required by National Association of Security Dealers (change in financial position, computations of net capital and aggregate indebtedness). These financial statements are the responsibility of the Owner. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by the owner, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above, plus the other statements required by National Association of Securities Dealers (change in financial position, computation of net capital and aggregate indebtedness), present fairly, in all material respects, the financial position of JRM Securities as of December 31, 2002, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Diefenbach Delio Kearney & DeDionisio*

Erie, Pennsylvania  
February 7, 2003

## **FINANCIAL STATEMENTS**

**JRM SECURITIES**

**BALANCE SHEET**

**December 31, 2002**

**ASSETS**

**Current Assets**

Cash and cash equivalents	\$42,569
Receivable - investment concessions	150
Office equipment, net of accumulated depreciation	<u>1,464</u>
Total assets	<u>\$44,183</u>

**LIABILITIES AND PROPRIETOR'S CAPITAL**

Liabilities - accounts payable	\$ 200
Proprietor's capital	<u>43,983</u>
Total liabilities and proprietor's capital	<u>\$44,183</u>

**JRM SECURITIES**  
**STATEMENT OF INCOME**  
**Year ended December 31, 2002**

**Revenues**

Concessions from investment company shares	\$12,750
Investment company 12b-1 income	7,639
Interest income	<u>832</u>
 Total revenue	 <u>21,221</u>

**Expenses**

Regulatory fees and expenses	1,647
Business development expenses	733
Administrative expenses	3,088
Professional fees	<u>500</u>
 Total expenses	 <u>5,968</u>

<b>NET INCOME</b>	<b><u>\$15,253</u></b>
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**JRM SECURITIES**

**STATEMENT OF CHANGES IN PROPRIETOR'S CAPITAL**

**Year ended December 31, 2002**

Balance at December 31, 2001	\$ 43,645
Net income	15,253
Capital contributed by owner	-
Withdrawals by owner	<u>(14,915)</u>
Balance at December 31, 2002	<u>\$ 43,983</u>

**JRM SECURITIES**  
**STATEMENT OF CASH FLOWS**

**Year ended December 31, 2002**

**Cash flows from operating activities:**

Net earnings \$ 15,253

Adjustments to reconcile net earnings to net  
cash provided by operating activities:

Change in assets and liabilities:

Decrease in receivables 3

Increase in accounts payables 200

Net cash provided by operating activities 15,456

**Cash flows from financing activities:**

Withdrawals by owner (14,915)

Net cash used in investing activities (14,915)

Net increase in cash and cash equivalents 541

Cash and cash equivalents at beginning of year 42,028

Cash and cash equivalents at end of year \$ 42,569

## JRM SECURITIES

### STATEMENT OF CHANGES IN FINANCIAL CONDITION

Year ended December 31, 2002

#### Funds provided by

Net income from operations	<u>\$15,253</u>
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Total funds provided	<u>15,253</u>
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#### Funds applied to

Withdrawals by owner	<u>14,915</u>
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Total funds applied	<u>14,915</u>
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Increase in working capital	338
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Working capital, beginning of year	<u>43,645</u>
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Working capital, end of year	<u><u>\$43,983</u></u>
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**JRM SECURITIES**  
**COMPUTATION OF NET CAPITAL**  
**Year ended December 31, 2002**

**Net capital**

Total ownership equity included in the balance sheet	\$43,983
(-) Decrease in ownership equity not allowable	-
(+) Increase in subordinated liabilities	<u>-</u>
Total capital and allowable subordinated liabilities	43,983
Deductions and/or charges	
(-) Decrease in non-allowable assets	
Office equipment	1,464
(-) Decrease in other deductions	<u>-</u>
Net capital before haircuts on securities positions	42,519
(-) Haircuts on securities	-
(-) Undue concentrations	<u>-</u>
Net capital	<u>42,519</u>
Minimum net capital required	5,000
Required minimum dollar net capital (120%)	<u>6,000</u>
Excess net capital	<u>\$37,519</u>

## JRM SECURITIES

### COMPUTATION OF AGGREGATE INDEBTEDNESS

Year ended December 31, 2002

Total liabilities from statement of financial condition	\$ 200
Increase in drafts for immediate credit	-
Increase in market value of borrowed securities	-
Increase in other amounts	<u>-</u>
Total aggregate indebtedness	<u>\$ 200</u>
Total net capital from statement of computation of net capital	<u>\$42,519</u>
Percentage of aggregate indebtedness to net capital	<u>00.47%</u>

**JRM SECURITIES**  
**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2002**

**Note A - Summary of Significant Accounting Policies**

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

**1. Nature of Operations and Basis of Accounting**

JRM Securities, a sole proprietorship, is a local securities broker-dealer which is located in Erie, Pennsylvania. The Proprietorship's financial statements are presented in accordance with generally accepted accounting principles. The accompanying financial statements have been prepared solely from the accounts of JRM Securities, and the owner represents that they do not include his personal accounts or those of any other operation in which he is engaged. The clients of the Proprietorship are primarily located in the tri-state area.

**2. Cash and Cash Equivalents**

The Proprietorship's policy is to invest cash to meet its NASD minimum net capital in income producing investments. Temporary cash investments of \$41,964 at December 31, 2002, consist of a certificate of deposit which is stated at cost which approximates market.

The Proprietorship maintains its cash balances in one financial institution located in Erie, Pennsylvania. Accounts at the institution are insured by the Federal Deposit Insurance Corporation up to \$100,000.

**3. Receivables**

The Proprietorship considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made.

**4. Property and Equipment**

Depreciation of property and equipment, net of \$1,464 salvage value, is provided on the straight-line method. Expenditures for maintenance and repairs are charged against operations. Renewals and betterments that materially extend the life of the asset are capitalized.

## **Note A - Summary of Significant Accounting Policies - Continued**

### **5. Income Taxes**

The proprietorship itself is not a taxpaying entity for purposes of federal and state income taxes. Federal and state income taxes of the proprietor are computed on his total income from all sources; accordingly, no provision for income taxes is made in these statements.

### **6. Revenue Recognition**

The Proprietorship, for purposes of this financial, recognizes revenue and expenses using the accrual method of accounting whereby revenue is recognized when earned and expenses are recognized when incurred.

### **7. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires the proprietor to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

## **Note B - Capital Requirements**

JRM Securities is subject to the net capital requirements applicable to the business it is engaged in under The Securities Exchange Act of 1934 and the National Association of Securities Dealers (NASD). Every broker-dealer with a business limited to mutual funds and variable annuities shall maintain a minimum net capital of \$5,000 and shall notify the Self Regulatory Organization, the National Exchange and the Securities and Exchange Commission if the broker-dealer's net capital is less than the required minimum.

Proprietor's net worth as of December 31, 2002 in JRM Securities	<u>\$43,983</u>
--	-----------------

**Independent Accountants' Report on Internal  
Accounting Controls Required by SEC Rule 17a-5**

Board of Directors  
JRM Securities

In planning and performing our audit of the financial statements and supplementary information of JRM Securities (the "Company") for the year ended December 31, 2002, we considered its internal control structure, including procedures for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

Also, as required by Rule 17a-5(g)(1) of the Securities Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company including tests of such practices and procedures that we considered relevant to the objectives stated in Rule 17a-5(g) in making the periodic computations of aggregate indebtedness and net capital under Rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of Rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following: 1) Making quarterly securities examinations, counts, verifications and comparisons; 2) Recordation of differences required by Rule 17a-13, or, 3) Complying with the requirements for prompt payment for securities under Section 8 of Regulation T of the Board of Governors of the Federal Reserve System.

The management of the Company is responsible for establishing and maintaining a system of internal accounting control and the practices and procedures referred to in the preceding paragraph. In fulfilling the responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control or the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.



Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving internal control, including control activities for safeguarding securities, that we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purpose. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at December 31, 2002, to meet the Commission's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the Securities and Exchange Commission, the National Association of Securities Dealers, Inc. (NASD), and other regulatory agencies that rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

*DuPont, Dalio, Kearney & DeDionizio*

Erie, Pennsylvania  
February 7, 2003

# **DIEFENBACH • DELIO • KEARNEY & DeDIONISIO**

**CERTIFIED PUBLIC ACCOUNTANTS**

---

GARY W. DIEFENBACH  
PETER M. DELIO  
CLARENCE W. KEARNEY  
DAVID A. DeDIONISIO  
MARGUERITE M. MOFFATT  
CRAIG C. MOFFATT  
THOMAS M. SCHAEFFER

2253 West Grandview Boulevard  
Erie, Pennsylvania 16506-4507  
Telephone 814/833-3353  
Telefax 814/838-9901  
ID No. 25-1555583  
Web: [www.ddkd.com](http://www.ddkd.com)

## **JRM SECURITIES**

### **OTHER COMMENTS**

**December 31, 2002**

We have completed a reconciliation of the audited computation of net capital and unaudited Part IIA of Form X-17A-5 as of December 31, 2002 for JRM Securities and have found no material differences in net capital.

# **DIEFENBACH • DELIO • KEARNEY & DeDIONISIO**

**CERTIFIED PUBLIC ACCOUNTANTS**

---

GARY W. DIEFENBACH  
PETER M. DELIO  
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## **JRM SECURITIES**

### **OTHER COMMENTS**

**December 31, 2002**

We have examined the operational safeguards, accounting system, and general financial integrity of JRM Securities and have found no material inadequacies or irregularities.

# **DIEFENBACH • DELIO • KEARNEY & DeDIONISIO**

**CERTIFIED PUBLIC ACCOUNTANTS**

---

GARY W. DIEFENBACH  
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## **JRM SECURITIES**

### **OTHER COMMENTS**

**December 31, 2002**

We have examined the operations of JRM Securities and we have found no material inadequacies or recommended any corrective action since the last audited report.

# **DIEFENBACH • DELIO • KEARNEY & DeDIONISIO**

**CERTIFIED PUBLIC ACCOUNTANTS**

---

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## **JRM SECURITIES**

### **OTHER COMMENTS**

**December 31, 2002**

For the year ended December 31, 2002, JRM Securities' business is limited to mutual funds and variable annuities.

JRM Securities claims an exemption from SEC Rule 15c3-3 pursuant to the (k) (1) exemption provision.